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1. LAOS:

A. PHOUMI AND COMPANY SEEM TO BE TAKING THE LINE THAT THEY ARE RESIGNED TO THE POSSIBLE LOSS OF US AID AND, THAT ALTHOUGH PINCHED, THEY WOULD RATHER GO IT ALONE THAN GIVE IN. PHOUMI'S INTENTIONS ARE STILL NOT CLEAR. [REDACTED]

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[REDACTED] THERE ARE [REDACTED] SOME INDICATIONS THAT ROYAL LAOTIAN FORCES ARE BEING MOVED INTO POSITIONS FOR AN ATTACK AGAINST KONG LE/PATHET LAO FORCES. [REDACTED]

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B. ON ANOTHER FRONT, COMMUNICATIONS TO HEADQUARTERS FROM SOUVANNA'S FIELD COMMANDER IN CENTRAL LAOS REVEAL THAT RELATIONS BETWEEN HIS FORCES AND THE PATHET LAO ARE VERY NEAR THE BREAKING POINT. YESTERDAY, HE REPORTED THAT THE PATHET LAO HAD FORCIBLY SEIZED A BORDER POST FROM A SMALLER GROUP OF HIS MEN, AND THAT "IT IS BECOMING INCREASINGLY DIFFICULT FOR US TO AVOID A FALLING-OUT." THE DAY BEFORE HE HAD WARNED HEADQUARTERS THAT "THE PATHET LAO ARE NOT SINCERE WITH US. ONE OF THESE DAYS THEY WILL SEIZE CONTROL OF OUR GOVERNMENT...DO NOT TRUST THEM AND THEIR TRICKERY."

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2. CONGO:

A. TSHOMBE'S ASSEMBLY, WHICH MET IN RUMP SESSION YESTERDAY WITHOUT TAKING ANY ACTION, IS SCHEDULED TO MEET AGAIN TODAY, AND INDICATIONS ARE THAT IT WILL NOT FORMALLY RATIFY THE KITONA AGREEMENT BUT WILL NOT REJECT IT EITHER AND WILL CALL FOR FURTHER NEGOTIATIONS WITH LEOPOLDVILLE. THERE HAVE BEEN OTHER GLIMMERS OF PROGRESS IN THE RESUMPTION IN ELIZABETHVILLE OF JOINT POLICE PATROLS BY THE UN AND THE KATANGANS AND IN THE ARRIVAL OF THREE MORE KATANGA REPRESENTATIVES IN LEOPOLDVILLE FOR DISCUSSION ON REVISING THE CONSTITUTION.

B. THE USSR'S ATTEMPT TO GET INTO THE RELIEF PICTURE UNILATERALLY IS STILL STALLED BY SUDAN'S REFUSAL TO GRANT OVER-FLIGHT CLEARANCE FOR ITS TRANSPORTS. OUR EMBASSY IN LEOPOLDVILLE BELIEVES, IN ANY CASE, THAT IT HAS ADOULA'S AGREEMENT THAT THE SUPPLIES, IF THEY ARRIVE, WILL BE FUNNELED THROUGH THE WORLD HEALTH ORGANIZATION AND THAT SOVIET TECHNICIANS WILL NOT BE ALLOWED TO ROAM AT WILL INSIDE THE COUNTRY.

3. NEW GUINEA ISSUE:

A. PARLIAMENTARY DISCUSSION OF THE ISSUE AT THE HAGUE IS GOING WELL FOR THE GOVERNMENT, BUT THE PROSPECT FOR DUTCH-INDONESIAN NEGOTIATIONS IS NO BRIGHTER IN VIEW OF INDONESIA'S REPEATED ASSERTIONS THAT THE TALKS MUST DEAL ONLY WITH THE RESTORATION OF WEST NEW GUINEA TO INDONESIA.

B. SUKARNO HAS LEFT DJAKARTA FOR A TOUR OF EAST INDONESIA ACCOMPANIED BY 10 FOREIGN AMBASSADORS, INCLUDING JONES.

C. MEANWHILE, THE BLOC SUPPORTED BUILD-UP OF INDONESIA'S FORCES CONTINUES. FOUR SOVIET SUBMARINES HAVE LEFT VLADIVOSTOK, PRESUMABLY FOR INDONESIA WHERE THEY WILL BRING THE SOVIET-SUPPLIED TOTAL TO SIX. [REDACTED] SOVIET-DELIVERED MIG-19'S MAY SOON BE OPERATIONAL. [REDACTED]

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4. LEBANANESE COUP AFTERMATH PRODUCING INTERNAL REPERCUSSIONS:

[REDACTED] THE ARMY IS PUSHING ITS ROUND-UP OF SUSPECTED DISSIDENTS WITH UNPRECEDENTED RUTHLESSNESS, PRODUCING MOUNTING TENSION IN THE COUNTRY. THE ARMY'S SUSPICIONS ARE BEING FOCUSSED ON THOSE LEBANESE THOUGHT TO HAVE TIES WITH THE BRITISH AND ON FOLLOWERS OF FORMER PRESIDENT SHAMUN, WHO IS A LEADER OF THE CHRISTIAN COMMUNITY, AND THERE IS FEAR THAT THIS ACTION WILL OPEN UP A CLEAVAGE ALONG RELIGIOUS LINES.

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5. NOTES:

A. THE AFGHAN GOVERNMENT HAS AGREED TO OPEN ITS BORDER FOR 2 MONTHS TO ALLOW SHIPMENT OF OUR AID SUPPLIES BACKLOGGED IN PAKISTAN. AMBASSADOR BYROADE THINKS THAT IF THE ARRANGEMENT WORKS WE MAY GET A MAJOR BREAK IN THE AFGHAN-PAKISTAN IMPASSE.

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C. TOURE HAS CLAMPED NEW RESTRICTIONS ON THE ACTIVITIES OF BLOC PERSONNEL IN GUINEA AND IS TIGHTENING CONTROL OF INDIGENOUS MOSCOW-SYMPATHIZERS AS, FOR THE MOMENT AT LEAST, HE VEERS MORE TOWARD A POSITION OF GENUINE NEUTRALITY.

D. MOSCOW IS DANGLING THE BAIT OF ECONOMIC AID BEFORE THE TURKS AS PART OF WHAT OUR EMBASSY IN ANKARA DESCRIBES AS A VIGOROUS CAMPAIGN TO WEAKEN TURKEY'S TIES WITH THE WEST.

E. GREECE, SEEING AN OPPORTUNITY IN ALBANIA'S PARIAH STATUS, IS WORKING HARD TO EXTEND ITS INFLUENCE THERE

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F. THE CHINESE COMMUNISTS HAVE CONCLUDED THEIR GRAIN DEAL WITH THE FRENCH, WITH FIRST REPORTS INDICATING THAT IT CALLS FOR 1 MILLION TONS OVER A 3-YEAR SPAN. IF THEY ARE GETTING NO MORE THAN THIS FROM THE FRENCH, THEY STILL HAVE A LOT OF NEGOTIATING TO DO IN ORDER TO MEET THEIR IMPORT NEEDS, WHICH WE FIGURE TO BE AT LEAST 5 1/2 MILLION TONS FOR 1962.

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H. THE FALL OF THE FANFANI GOVERNMENT LATER THIS MONTH IS BEING FREELY PREDICTED IN ITALY. THE MOST LIKELY ALTERNATIVE TO THE PRESENT ALL-CHRISTIAN DEMOCRAT CABINET IS A CENTER-LEFT COALITION, BUT ONLY AFTER A FAIRLY LIVELY POLITICAL HASSLE.

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WATCH COMMITTEE CONCLUSIONS--3 JANUARY 1962

NO SINO-SOVIET BLOC COUNTRY INTENDS DELIBERATELY TO INITIATE DIRECT MILITARY ACTION IN THE IMMEDIATE FUTURE.

BERLIN: FURTHER COMMUNIST HARASSMENTS ARE TO BE EXPECTED. HOWEVER, PRESENT COMMUNIST MILITARY ACTIVITY DOES NOT SUGGEST THAT THE COMMUNISTS EXPECT TO RISK SERIOUS MILITARY CONFRONTATIONS IN THE IMMEDIATE FUTURE.

LAOS: THE BREAKDOWN OF THE THREE PRINCES' TALKS HAS RAISED THE POSSIBILITY OF INCREASED MILITARY ACTION BY EITHER SIDE, BUT THERE ARE NO CLEAR INDICATIONS THAT THE COMMUNISTS INTEND MAJOR MILITARY OPERATIONS IN THE IMMEDIATE FUTURE. HOWEVER, LIMITED-SCALE ATTACKS CAN BE INITIATED BY EITHER SIDE WITH NO WARNING.

SOUTH VIETNAM: VIET CONG SUBVERSIVE AND SMALL-SCALE MILITARY ACTIVITY CONTINUES AT A HIGH RATE, DESPITE COUNTER-ACTIONS IN VARIOUS REGIONS BY GOVERNMENT FORCES. THE VIET CONG HAS THE CAPABILITY OF CONDUCTING LARGE-SCALE ATTACKS ON PRE-SELECTED TARGETS IN SOME AREAS OF THE COUNTRY AT ANY TIME.